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__Via Facsimile and U.S. Mail__

September 4, 2003

Phillip Deion
Administrative Law Judge
Legal Department
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: Midvale Telephones-Late Filed Exhibits/Case No. T-02532A-03-0017
Our File: 1614-64

Dear Judge Deion:

I am writing in fulfillment of Midvale Telephone's pledge to file late filed exhibits in order to answer two questions posed at the hearing. The first inquiry asked Midvale to calculate the per customer cost of Extended Area Service ("EAS"). The second asked Midvale whether it is possible to provide EAS between Midvale's Millsite exchange and Table Top's adjacent exchanges.

Per Customer Cost of EAS:

The cost of EAS typically consists of two components. The first is the reduction in access charges associated with the conversion of toll routes to EAS. The second is the capital cost associated with implementing EAS. (A possible third component, the potential shift in jurisdictional allocations, does not apply in this case because Millsite does not have an established historical allocation of costs between jurisdictions).

Similarly, because Millsite is a new exchange, there is no actual call data, so the loss of access revenue can only be estimated. Midvale estimated the loss of access revenue by using two separate methods. One used actual access call data from the Cascabel and Young exchanges, and then extrapolated an estimate. The other calculation took a study done of calling patterns between Midvale's Cascabel exchange and Qwest's Benson exchange before and after EAS was implemented. These methods yield a per month, per line average cost of lost access revenues of $10.45. This calculation was reviewed by staff in the Granite Mountain case and was found to be a reasonable estimate of the loss of access revenue for Midvale.

In addition to the loss of access revenue, Midvale must make additional capital investments to implement EAS. In the case of the Millsite exchange, EAS could be implemented relatively quickly for the customers who are in the process of being cut into service at this writing, and then incrementally built out to the exchange as additional areas are served. That is, EAS could be deployed initially to the approximately 80 customers in Henderson Valley Ranch. Later in 2003 or early 2004 when Millsite, Mountain Pine Acres and Potato Patch subdivisions are turned up, additional facilities would be then deployed. Finally when Crossroads Ranch and Poquito Valley are complete, the final facilities would be added. .

Under this scenario, at full build out the total capital cost of deploying EAS for 529 subscribers in the Millsite Exchange is estimated at $108,400 as depicted below:

MILLSITE EAS work sheet
March 28, 2003

Redcom

Shelf & common cards	3 @ 22,000 each		$ 66,000.00
DS1 cards	7 @ 2,000 each		$ 14,000.00
Rack, cable, blocks & misc. materials			$ 1,000.00
Labor	Install, programming & travel expense	40 hours @ $75.00	$ 6,000.00
			$ 87,000.00

Advanced Fiber Communications

Shelf & common cards	2 @ 4,300		$ 8,600.00
T1X cards	14 @ $700.00 each		$ 9,800.00
Labor	Install, programming & travel	10 hours @ $75.00	$ 1,500.00
			$ 19,900.00
Engineering, planning & coordination		20 hours @ $75.00	$ 1,500.00
Total			$108,400.00

Spreading $108,400 over 529 customers yields a per customer capital cost of $205. In order to determine the annual cost per customer of these capital improvements, it is necessary to make some assumptions about the actual carrying cost of the investment. Assuming a hypothetical Midvale cost of capital of 8%, grossed up approximately 50% for depreciation and taxes, the annual cost per customer for the capital improvements would be about $24.60 ($205 x 12%), or $2.05 per month.

Adding the $2.05 per month capital cost to the $10.45 per line per month in lost access revenue produces a total monthly EAS cost per access line for the Millsite exchange of $12.50.

EAS with Table Top:

Midvale believes it is possible to provide EAS between Millsite and Table Top's exchanges at little or no cost, provided Qwest can supply the necessary interconnection facilities. The costs are minimal because Midvale's initial estimate of the necessary increases in trunking facilities for EAS with Qwest will not be affected by the minor increase in EAS traffic with Table Top customers.

This assumes, however, that Qwest can provide the necessary trunking facilities between Qwest and Table Top, which appear to be a debatable assumption. Midvale cannot reliably estimate the cost of EAS with Table Top if such facilities are not available because it would require a detailed engineering study to determine the cost of direct interconnection between the two companies. Midvale is convinced, however, that direct interconnection costs would almost certainly be uneconomic by any reasonable standard.

If you have any questions about this information, please do not hesitate to call.

Sincerely,

Conley Ward

Conley E. Ward

CEW/lp

cc: Karen Williams
ACC Docket Control (10 copies)
Gary Horton, Legal Department
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